

SUMMARY OF STATEMENT BY SPIRIT AIRLINES, INC.

GENERAL STATE OF DOMESTIC AIRLINE COMPETITION

After twenty years of airline deregulation, there are four relatively distinct market groupings:

1. Medium to long haul city-pairs, such as New York-Los Angeles or Albuquerque-Boston. Here, domestic hubs compete vigorously with each other, and the manifest benefits of airline deregulation are greatest. However, unbridled concentration could eventually reduce these benefits. For the moment, the greatest impediment to competition on medium to long haul routes are facility/infrastructure related, such as slot controls or perimeter rules.
2. Short to medium haul city-pairs with non-stop service, such as Detroit-Boston. On these routes, "dominant hubs" are more akin to local monopolies, and fares are very high in the absence of low fare competition. Such competition remains highly limited because of exclusionary practices such as those targeted by the D.O.T.'s proposed Competition Guidelines, as well as many facility/infrastructure issues. After many years of studies and debates, it is time to take action to address the problems.
3. Major city-pairs involving popular leisure destinations, such as New York-Ft. Lauderdale, or anything into Las Vegas. Low fare new entrants favor such markets because they need not attain high frequency of service (or expensive frequent flyer programs). Fares, already relatively low, become more so.
4. Domestic legs of international journeys. With the decline of interline connections, this sub-market is substantially closed to new entrants. The growth of international alliances simply takes the process to its final conclusion.

ON NEW ENTRANTS

Thirteen "start-ups" (since 1989) together comprised 3.1% of domestic revenue passenger miles (RPMs) in 1996 and about 3% in 1997. The most recent data (12 months ended September, 1998), shows a further decline, to 2.48% (Appendix A). Of the thirteen, four have failed entirely and one (Reno Air) is being acquired by American Airlines. This category "enjoyed" a combined loss of \$352,581,000, against total domestic profits for the Majors of \$4,278,719,190.

Happily, Spirit Airlines was one of two profitable carriers in this category. The other was Midway Airlines, which abandoned a low fare strategy several years ago. In both cases, however, careful avoidance of "Group 2" markets, as defined above, is the key to success.

Southwest Airlines is not usually characterized as a new entrant, but is certainly a low fare carrier. Its market share grew modestly, from 6.41% of domestic RPMs in 1997 to 6.56% in the twelve months ended September 30, 1998. Though Southwest continues to do well, it would be foolish to expect a single company to discipline the entire industry or to

base national policy on the success or failure of a single company.

ON THE HIGH DENSITY RULE, ETC.

In an age where skepticism toward regulatory solutions is de rigueur, the HDR's ability to withstand trenchant criticism is remarkable. The nation can better deal with noise and safety matters directly than through slot controls, and DOT/FAA should not be permitted to perpetuate so inefficient an approach to them. Likewise, local and national perspectives on airport development must be balanced; neither set of interests should completely dominate the other or be allowed to create a totally static situation. We at Spirit Airlines understand that the difficult compromises struck in S.82 are controversial. We must emphasize, however, that the system of "grandfathered slots" has not worked out; carriers who hold free slots have no divine right to perpetual advantage over new entrants. Those opposing S.82 have the difficult task of proposing a better alternative.

The Committee will be pleased to know that Spirit Airlines has had excellent success with the HDR exemptions we received in 1998 from D.O.T. In Appendix B, you can see that our new services from La Guardia Airport to Melbourne, FL and Myrtle Beach, SC were highly popular almost from their inception. Our new non-stop service and low fares on these two routes will benefit, we estimate, over 200,000 passengers in 1999. Load factors exceed 70%, which is high by industry standards even for "mature" routes. Fares for new, improved service have dropped. Our Myrtle Beach service is attracting passengers from throughout South Carolina. With the just started second La Guardia frequency, obtained with Senator Hollings' support, MYR now has an excellent non-seasonal pattern of service to the New York region. Spirit would look forward to utilizing new opportunities under S.82 to bring these services and fares to the Washington, DC area and to other localities as well.

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Previous Congressional Statements of Spirit Airlines, Inc. on Airline Competition for Incorporation into the Record:

1. March 5, 1998 -- Before the Subcommittee on Transportation of the U.S. Senate Committee on Appropriations
2. April 23, 1998 -- Before the Subcommittee on Aviation of U.S. Senate Committee on Commerce, Science, and Transportation
3. May 19, 1998 -- Before the U.S. House of Representatives, Committee on the Judiciary